Department of Finance 2007-03101/

News Release

Immediate release

Ottawa, December 8, 2006
2006-078

Canada's New Government Provides Savings Of Up To $4.5 Million In Tariffs To Canadian Apparel Manufacturers

The Honourable Michael M Fortier, Minister of Public Works and Government Services and Minister responsible for the region of Montréal, on behalf of the Honourable Jim Flaherty, Minister of Finance, today announced the implementation of measures to reduce or eliminate tariffs on a number of textile fabrics used in apparel manufacturing. These measures will provide Canadian apparel producers with up to $4.5 million in annual duty savings.

"The announcement today will help firms in Montréal and across Canada to maintain jobs by becoming more productive and more competitive," said Minister Fortier. "Canada's New Government is determined to let Canadian businesses to grow and succeed by building a stronger economy and creating a tax advantage that will establish the lowest tax rate on new business investment in the Group of Seven (G7)."

Under the new tariff measures announced today, the Government of Canada is:

- Eliminating the tariffs on a variety of apparel fabrics of particular interest to Canadian apparel producers where it has been determined these fabrics are not available from Canadian production.

- Providing further tariff relief on a number of apparel fabrics where domestic production averages less than $5,000 annually.

- Replacing a number of gender-specific tariff descriptions with gender-neutral descriptions and generic apparel applications (for example, replacing tariff descriptions such as certain fabrics for use in the manufacture of *women's jackets* with descriptions such as certain fabrics for use in the manufacture of *apparel*).

To further support the global competitiveness of the Canadian apparel industry, the above tariff relief measures are retroactive to January 1, 2005, to coincide with the elimination of World Trade Organization import quotas on textiles and apparel.

Minister Fortier also announced the implementation of tariff relief recommended in a recent Canadian International Trade Tribunal (CITT) report pursuant to the Standing Textile Reference. Effective November 23, 2006, duties have been eliminated on certain woven fabrics for use as lining in the manufacture of certain apparel.

"Today's announcement is very much in line with the goals set out in *Advantage Canada*, our long-term economic plan," said Minister Flaherty. "We are creating a Canadian entrepreneurial advantage by encouraging further trade and investment with the rest of the world, while allowing Canadian business to do what they do best—invest, expand, and create jobs for hard-working Canadians."

The Government has consulted widely with the Canadian textile and apparel industries to ensure these measures will benefit domestic apparel production while not adversely affecting domestic textile producers. Today's announcement takes into account the recommendations made by the CITT in its April 2006 report on the availability of certain fabrics produced in Canada.

The attached backgrounder provides more details on the measures announced today.

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Backgrounder

The Government's announcement of the reduction or elimination of tariffs on a number of textile fabrics follows a variety of consultations held with the textile and apparel industries over the past several months. It is estimated that, taken together, these measures will save Canadian apparel producers up to $4.5 million annually in duties, allowing them to become more competitive and productive.

The first part of the tariff relief is associated with the implementation of the recommendations contained in the April 2006 Canadian International Trade Tribunal (CITT) report *An Inquiry into the Availability of Certain Apparel Fabrics Produced in Canada*. In this report, the CITT recommended that duties be eliminated on four broad-based tariff items. The value of duty savings associated with this measure is some $2 million annually.

The second part of the tariff relief results from consultations initiated by the Department of Finance regarding the elimination of tariffs on textiles with limited production in Canada. Thirty-nine dutiable tariff items were considered where the domestic production of textiles was less than $5,000 annually. It was determined that the tariffs on 16 of the items could be eliminated without adversely affecting the competitive interests of Canadian textile producers while, at the same time, assisting the apparel industry in meeting foreign competition. The elimination of these tariffs represents approximately $2 million in duty savings for the Canadian apparel industry.

The third part of the tariff relief also results from consultations initiated by the Department of Finance. In this case, the consultations concerned the replacement of a number of gender-specific tariff descriptions with gender-neutral descriptions and generic apparel applications. Of the 56 tariff items under consideration, it was determined that 41 of them could be so amended, to the benefit of Canadian importers and manufacturers. It is not possible, *a priori*, to estimate the amount of duty relief that will result from this measure.

Finally, this announcement also addresses the implementation of the tariff relief recommended in a report of the CITT issued in October 2006 pursuant to the *Standing Textile Reference*. In this report, the CITT recommended the elimination of duties on certain woven fabrics for use as lining in the manufacture of certain apparel. The value of this duty relief is estimated at some $350,000 per year.